

NIGERIA'S FINANCIAL SYSTEM STRATEGY 2020

**PERSPECTIVES ON BUILDING AN
INTERNATIONAL FINANCIAL
CENTRE: EXPERIENCE OF
SINGAPORE**

TO COVER:

- Singapore's position as a financial centre
- Creating preconditions for economic growth
- Developing a financial sector strategy
- 1997 strategic review
- Recent initiatives
- Lessons learned
- Conclusions

Note: views are personal, not those of MAS

Singapore's Position as a Financial Centre (1)

Background on Singapore:

- An island city-state
- “Small red dot”
- Multi-racial population of 4.5 million
- Real per capita GDP USD 30,000
- Literacy rate 95%

Singapore's Position as a Financial Centre (2)

- Accounts for 12% of GDP
- Accounts for 5% of employment
- Growing faster than GDP
- World's 4th FX trading centre
- Major commodities trading centre
- Largest asset-management centre in region

Singapore's Position as a Financial Centre (3)

Some Statistics:

- 111 Commercial Banks (3 local groups)
- 49 Merchant Banks
- 43 bank Representative Offices
- 189 holders of Capital Markets Services Licences
- 165 Insurance Companies

Singapore's Position as a Financial Centre (4)

More Statistics:

- S\$ banking assets 240% of GDP
- Foreign currency assets much larger
- Domestic insurance assets 50% of GDP
- Stock of corporate debt 70% of GDP
- SGX turnover > 100% of GDP
- Treasury market turnover 150% of GDP

Creating Preconditions for Economic Growth (1)

- Political stability
- Social stability
- Meritocratic educational system
- Sound macro-economic policies
- Firm/fair legal and judicial system
- Absence of corruption
- International accounting/auditing standards
- Good corporate governance

Creating Preconditions for Economic Growth (2)

- Competitive tax regime – (18% corporate tax rate)
- Network of tax treaties
- Strong telecommunications/IT infrastructure
- Efficient transportation links
- Growing number of FTA's
- Reasonable cost structure

Developing a Financial Sector Strategy: First Principles

- Importance of financial sector
- Importance of balancing domestic and international components
- Openness to foreign competition
- Openness to foreign talent
- Importance of sound regulation
- Consultative approach with private sector

Financial Sector Strategy: Monetary Authority of Singapore (MAS)

- Central Bank
- Fully integrated regulator (banking, insurance, securities etc)
- Firm, “best practices” regulatory approach
- Development role

1997 Strategic Review (1)

Conclusions

- Need for a more dynamic environment to keep pace with globalisation
- Develop asset classes to broaden and deepen financial markets (ie bond market)
- Adjust supervisory approach to encourage more risk-taking and better risk management

1997 Strategic Review (2)

Key initiatives:

- Increase foreign competition (banking)
- Encourage domestic bank mergers
- De-mutualise the stock exchange
- Move to risk-based supervision
- Modernise securities supervision
- Strengthen consumer protection

Recent Initiatives (1)

Banking

- Cutting domestic banks' commercial links
- Expanding privileges for foreign banks
- Introducing deposit insurance
- Introducing regulatory framework for Islamic Banking
- Reducing (modestly) CAR
- Moving to Basel II

Recent Initiatives (2)

Insurance

- Introducing risk-based solvency standards
- Encouraging industry to play self-regulatory role
- Increasing emphasis on consumer protection

Recent Initiatives (3)

Capital Markets

- Competition for new listings
- Creation of new derivative products
- Stimulation of corporate bond market
- Enhancement of governance rules and enforcement

Recent Initiatives (4)

Asset Management

- Update legislation
- Supervise fair treatment of retail customers
- Firmly enforce AML and CTF rules

Recent Initiatives (5)

Infrastructure

- Financial Industry Competency Standards
- Wealth Management Institute
- Programme on Risk Management and Financial Innovation

Lessons Learned

- Set priorities; a small economy cannot cover all the bases
- Focus; a “shotgun” approach dilutes efforts
- Be strategic and forward looking; a reactive approach will not succeed
- Adopt a team approach; involve other government ministries and the financial sector

Conclusions

- The preconditions are essential for building an international financial centre
- There is no conflict between firm/tough regulation and development of a vibrant financial centre
- A dynamic financial sector contributes to economic development
- “If you build it (the right way), they will come”